

# Example of a grand entrance li-nings emergence as a global chinese brand case stu...

[Business](#), [Company](#)



Li Ning is the leading player in the sports footwear and apparel industry in China. The company was founded by Li Ning, a successful Chinese athlete who won many medals at prestigious sports including three gold medals at 1984 Olympics. The legacy of the company is to support sports spirit. The company has about 50% of the market share in China. Its main competitors are industry giants such as Nike and Adidas. They also face strong competition from local brands such as Anta.

The company has made efforts to establish Li Ning as an international brand and it is one of their long term missions. There was conflict in the past among the senior management and board members regarding the international expansion plan. Senior employee responsible for international marketing could not meet his goals because he did not receive cooperation from a prominent board member, which resulted in shutting down of their first flagship store in Netherlands. The company needs to have its management and board members on the same page so that they all can work towards to achieve a common goal. In consistency in shared goals can harm the company much more than they can conceive. According to the board member, domestic focus was more important for the company because above 98% sales came from here and the international expansion supporters believed that it was vital for the survival of the company in the long run. I believe that the company must focus on the domestic marketing efforts so that they do not lose their market share to their competitors and gradually make efforts for international expansion as well. China is one of fastest growing economy and the biggest markets in the world. The country's GDP growth in 2011 was 9. 2% (Forbes. com). Domestic market is

their cash cow and they should definitely give importance to it. Ignoring domestic market and focusing mainly on international market might be a greater risk that a company with limited financial resources such as Li Ning should not take.

Li Ning's current price strategy is to position their products' quality to be as good as international brands such as Nike and Adidas but charge less than them. Their quality is better than other domestic brands and is priced slightly above them. This strategy gives them cost advantage and enables them to attract young customers on a budget. They should definitely keep competing on price in the second and third tier Chinese cities, which is responsible for 80% of their revenue. There is a tremendous growth potential in the second and third tier cities and expansion in this market should be an integral part of their strategy. They should also launch a premium product line with high prices that they can sell in their flagship store in China and international markets. Increasing their prices to match Nike's and Adidas will not be a wise decision because they would lose young customers, their niche market.

Li Ning's main competitors have their dominance on basketball and football respectively and Li Ning focuses on running and badminton. Badminton is not a very popular sport in North America and most of the other potential markets where as running is highly popular. The company should endorse more runners instead of basketball or other players, in order to attract the target audience. In this way they would be attracting an audience that can relate to the company that has running athletes as their primary customer and also avoid head on collision with Nike or Adidas in these sports.

China is the second largest market in the world for sportswear and

international brands such as Nike and Adidas want to take full advantage of it. According to the case study, Nike wants to be \$1 billion strong in in China. Nike and Adidas mainly have their stores in first tier Chinese cities but they have expansion plans for second and third tier cities as well. Li Ning has an advantage here that the income of people in second and third tier cities is low to medium and they rather prefer a brand that has the same quality as Nike and Adidas but comes at a cheaper price. Customers are also aware of the legacy of Li Ning and identify with the brand and their own. The company should try to take advantage of the legacy of Li Ning and keep competing on price.

Li Ning export products which are sold under a different brand name in different countries. They should use these distribution connections to market their own products in these markets and gradually penetrate the international market. They hired a successful designer, Alan Hardy, from Nike and converse. They should try to get more experienced personnel on their R&D team as well as board in order to craft internationalization strategy for the company.

## **Institutional Analysis**

Li Ning has been a successful sportswear company in Mainland China since it was founded in 1989 by the Olympics gold medalist, Li Ning. The company was a family owned business for nearly two decades and then grew into a major player in the Chinese Market in this short duration of time. The success of the company is mainly attributed to its brand image, pricing strategy, endorsements and strong distribution channel. According to the company website, they consider one of their core competencies to be a

sports brand which inspires people and athletes. Their distribution channel is one of their greatest strengths. Their brand stores have grown from 2, 622 in 2004 to 7, 915 in 2010 and they aspire to increase that number to 9, 400 by 2013 (Lining. com). Their revenues have been increasing steadily. Their revenue increased from RMB 3. 1 billion in 2006 to RMB 9. 4 billion in 2010 (Irasia. com). The company lays emphasis on R&D and design. They try to use the talent of designers in China and international designers. They have partnered with an Australian company, SKINS, and launched several products using their technology. Li Ning's another strategy that lets them differentiate from their competitors international competitors Nike and Adidas is it's legacy. The company was established by a renowned athlete and their advertisements try to emphasize the point that the founder is one of the Chinese and is deeply involved in sports.

US investment firm, TPG recently invested in Li Ning and that helped strengthen its financial position (Forbes. com). It also caused a rise in its share prices. Such investments will come in handy while competing with Nike and Adidas which are financially strong companies. Three of the top executives of the company resigned in 2011 which raised questions about the company not delivering the desired results and needs a revamp of its strategies. The employees who resigned were Chief Operating Officer Guo Jian Xin, Chief Marketing Officer Fang Shih Wei and e-Commerce manager Lin Li (Lining. com).

The company tries to identify with 90's generation and should focus its marketing efforts on attracting them and reemphasizing sports spirit. The company has recently revamped its slogan to " Make the change" and also

redesigned its logo in order to target the youth. After the latest developments such as slower sales growth and resignation of top management, Li Ning needs to come up with a strategy that helps it focus on its core audience in China, maintain its market share and also start expand internationally. More efforts such as investment from strong financial investors will immensely help the company at this time.

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